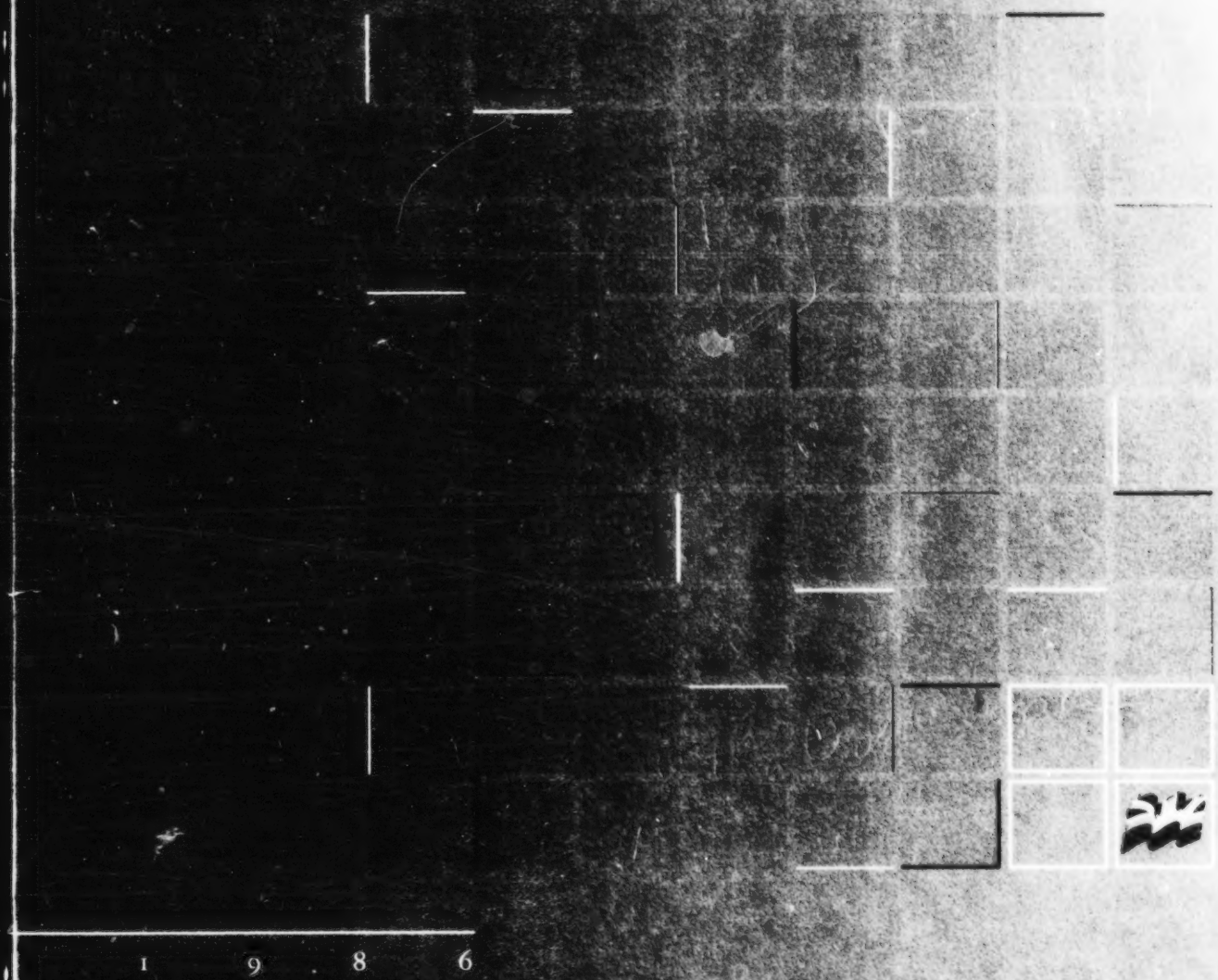
British Columbia
Development Corporation



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Twelfth Annual Report

86-05287/

Province of
British Columbia

OFFICE OF THE MINISTER

Ministry of Industry
and Small
Business Development

Parliament Buildings
Victoria
British Columbia
V8V 1X4

Honourable Robert G. Rogers

Lieutenant-Governor of British Columbia

MAY IT PLEASE YOUR HONOUR:

I respectfully submit the twelfth Annual Report of the British Columbia Development Corporation for the fiscal year ended March 31, 1986.

Minister of Industry and
Small Business Development

Corporate Mission

The Development Corporation Act established the British Columbia Development Corporation with specific objectives:

to create, develop and increase income, employment, tax revenue and other economic benefits . . . by encouraging and assisting in the establishment, expansion and continued operation of industrial enterprises in the Province . . .

and further,

to act as agent for, and provide assistance to, the government in the administration or implementation of government programs.

These statutory objectives provide clear direction and an effective means for measuring our success.

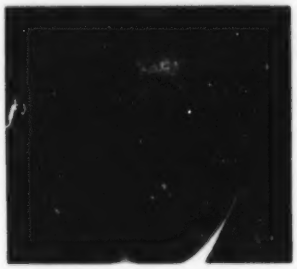
The Shareholder

The British Columbia Development Corporation is owned by the people of British Columbia. The Minister of Industry and Small Business Development is a member of our Board of Directors and is responsible to the Legislature for our activities.

The Board of Directors

Directors are appointed by the provincial government. The Board is primarily responsible for setting policy and meets regularly to review programs and approve loans and project commitments above certain limits.

Michael McGillivray*
(Acting Chairman)
Partner
Deloitte Haskins & Sells
Chartered Accountants
Prince George



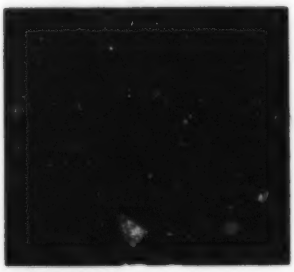
The Hon Robert H McClelland
Minister of Industry and Small Business Development

J Patrick Curell*
President
Braemar Construction Ltd
Kelowna

Harbanse S Doman*
President
Doman Industries Ltd
(forest products)
Duncan

William H McRae*
Consultant
(forest products)
Terrace

F Michael P Warren, QC
Partner
Owen Bird
Barristers & Solicitors
Vancouver



Michael C Burns
President
Sentinel Strategies Ltd
(management consultant)
Vancouver

Conrad A Pinette
President
Pinette & Therrien Mills Ltd
(forest products)
Williams Lake

Arthur J Block
President
AR Holdings Ltd
(real estate & manufacturing)
Vancouver

*Member of Executive Committee

Chairman's Message

With the world economy emerging from recession and the growing positive influence of Expo 86 we have observed a marked increase in confidence and optimism during the past 12 months on the part of organizations doing business with us.

This improvement in outlook has been fostered by incentive programs introduced by the provincial government, responsiveness on the part of our staff and a recognition that the government is concerned with and supportive of individual initiatives by private enterprise.

We have accepted our responsibility to stimulate the economy by becoming increasingly active in the provision of business financing and industrial land.

Job Creation and Business Investment

During the year just ended, we approved over 200 loans totalling $155 million, creating or preserving some 3,000 jobs.

These loans have made direct and indirect contributions to the economies of more than 120 communities in British Columbia.

Over the past ten years, we have loaned $450 million resulting in total private sector investment of over $930 million and creating or preserving employment for close to 17,500 individuals in a wide variety of industries.

Land for Industrial Development

Our property, located throughout the Province, constitutes an invaluable resource for economic development. Coupled with our ability to acquire Crown land and provide financing, these landholdings enable us to meet virtually any private sector industrial development requirement.

Moli Energy Limited is building the world's first rechargeable lithium battery plant in our Maple Meadows Industrial Park in Maple Ridge.

Our Tilbury Industrial Park in Delta is home to a growing number of industrial enterprises, like Canadian Autoparts Toyota, which are making significant new investments in British Columbia.

Urban Economic Renewal

In North Vancouver and New Westminster, we have undertaken two major programs for redevelopment of previously rundown waterfront property, providing a catalyst for urban revitalization.

Lonsdale Quay in North Vancouver is nearing completion, highlighted by the opening in April 1986 of the Lonsdale Quay Market and Hotel.

Completion of the final phases in our Westminster Quay project in New Westminster has been accelerated by SkyTrain which provides a direct link to downtown Vancouver. Construction is now well advanced or completed on several thousand square feet of new residential, retail and institutional projects in the downtown waterfront neighbourhood.

Planned and coordinated by our staff, acting through subsidiaries, these projects have generated a significant amount of direct private sector investment, created hundreds of man-years of construction employment, substantially increased local tax revenue, and stimulated private redevelopment in adjacent areas.

Our success in initiating these projects and providing an effective framework for massive private investment has attracted attention from jurisdictions across North America.

New Facilities for Motion Picture Production

During the past five years British Columbia has become a major motion picture location and now ranks third in North America, behind southern California and New York. In 1985, $140 million was spent providing employment to over 3,000 people. These figures should increase significantly with the development of a studio facility capable of accommodating a number of major motion picture productions.

We propose to acquire a suitable site for such a studio and invite participation by the private sector.

Entrepreneurs Create Employment

It is clear that the desire to start a business is becoming more widespread in British Columbia and we believe this trend will accelerate.

In February 1986 we sponsored a Conference for Entrepreneurs. Four hundred and sixty individuals enjoyed and benefitted from two days of practical discussion and direction from 26 of British Columbia's most successful entrepreneurs. We intend to hold similar conferences throughout the Province during the coming year.

Our public market in New Westminster will also provide significant opportunities for new entrepreneurs.

With minimum investment, individuals having original retail business ideas will be able to rent space and learn the practical realities of taking responsibility for their own success or failure.

Small, service-oriented businesses are now creating three out of four new jobs in North America. We expect to expand financing programs available to those businesses providing services to the manufacturing and processing sectors.

Technology and Aquaculture

Although prone to high risk, advanced technology offers excellent new employment opportunities and diversification of the economy.

Traditional fishing methods, for example, have reached their productivity limits in British Columbia waters. However, new aquaculture technology holds great promise for the future.

We are involved in a major salmon rearing project near Prince Rupert and have provided financing for other fish farming operations. These initiatives are laying the foundations for a new industry in British Columbia.

1987 Objectives

Favourable trends observed during the year just ended are expected to continue. Our loans will help to increase employment in the technology and small business service sectors, in import replacement and export development.

While traditional wood processing industries are undergoing a long term restructuring and modernization process in order to remain competitive, new ideas are materializing in the manufacture of specialty items such as furniture, chopsticks, matches and packaged fencing, all of which add more value to our forest resources than production of dimension lumber. We are presently financing a number of these enterprises and are actively seeking new, promising applicants.

Board of Directors, Management and Staff

In all areas of operations and at all levels, our staff continues to demonstrate a real commitment to fulfillment of our mandate — to help private business create employment and economic activity, diversify the economy and build export earnings. We are working effectively with the Ministries of Industry and Small

Business Development and International Trade and Investment to achieve common economic development objectives in accordance with our commitment to the provincial government's "Partners in Enterprise" program.

Special thanks are once again due to our Board of Directors for their continued support. All have given unselfishly of their time and expertise to help us more fully discharge our responsibilities to the people of British Columbia.

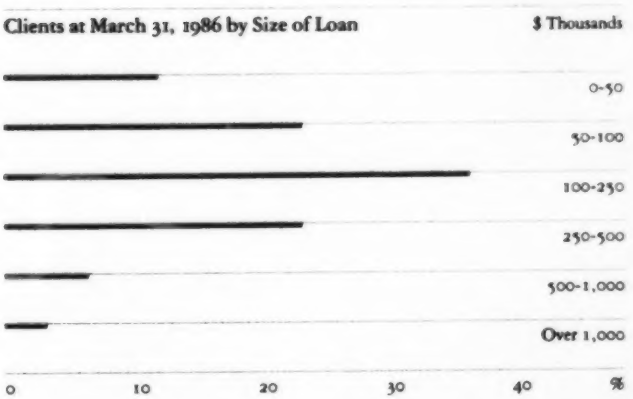
Michael McGillivray
Acting Chairman and
Chief Executive Officer

Business Finance

The Development Corporation Act empowers us "to provide financing by way of loans to, or purchase of shares of, an industrial enterprise, on terms and conditions as the corporation considers advisable . . ."

Our Business Finance Division is primarily engaged in making loans to small and medium sized businesses for the establishment and expansion of plant and facilities which will create new employment opportunities. Over 70 percent of our loans are less than $250,000.

Loans were approved during the past year for 225 clients, which represents a significant increase over the preceding period when 160 received approval. Most of the increase took place towards the end of the year, with 84 approvals between January and March 1986.



We administer three principal lending programs; one utilizes internal funds for term loans at competitive rates while the others use funds provided by the federal and provincial governments for small and medium sized business loans at special low interest rates.

Term Loans

Eligible Businesses

Manufacturing, processing, high technology, and selected service industries. (All applicants should have strong management capabilities and viable projects.)

Use of Funds

Purchase of land, buildings, and equipment for new plants, or expansion of existing facilities.

Loan Size

No specific maximum.

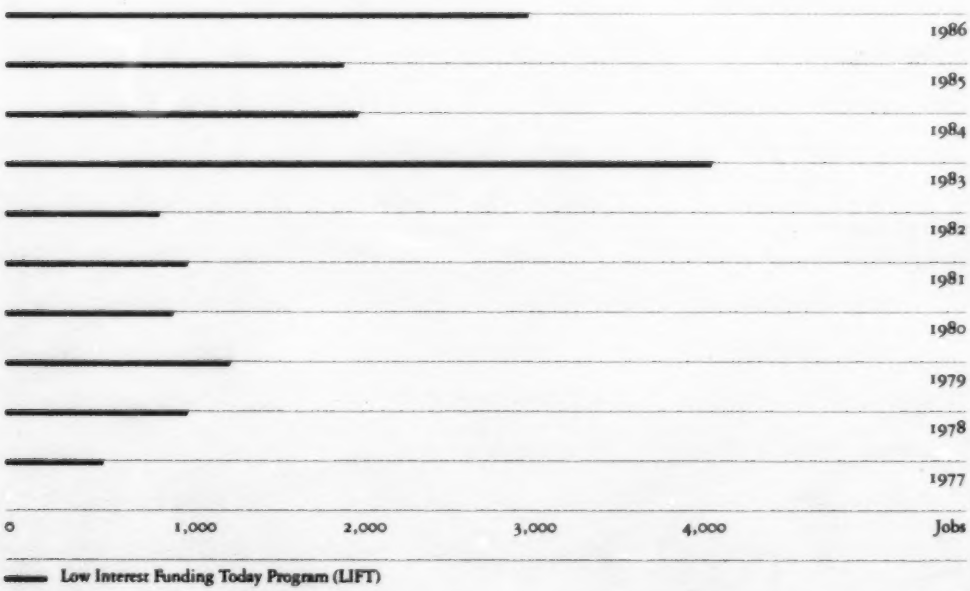
Terms

Tailored to meet the borrower's requirements.

Interest

Prevailing commercial rates.

Jobs Created/Preserved by Loan Activity



Low Interest Funding Today Program (LIFT)

Low Interest Loan Assistance (LILA)

We administer this program on behalf of the provincial government.

Eligible Businesses

Manufacturing, processing, high technology, and selected service industries. (All applicants should have strong management capabilities and viable projects.)

Use of Funds

Purchase of land, buildings and equipment for new plants, or expansion of existing facilities.

Loan Size

One-third of the capital cost of fixed assets to be acquired, to a maximum of $200,000 and a minimum of $18,000. Project size is limited to $900,000.

Terms

Maximum term of three years. No interest accrued or principal payments required for the first six months.

Interest

One-half of our base rate.

Industrial Development Assistance Program (IDAP)

We administer this program under the Federal/Provincial Subsidiary Agreement on Small Business Incentives. It effectively extends the LILA program limit to $500,000. Loans are subject to approval by a joint federal/provincial management committee.

Eligible Businesses

Manufacturing, processing, and high technology.

Use of Funds

Purchase of buildings and equipment for new plants, or expansion of existing facilities.

Loan Size

One-third of the capital cost of fixed assets to be acquired, to a maximum of $500,000. Project costs must be greater than $600,000 and less than $2 million.

Terms

Maximum term of three years. No interest is accrued or principal payments required for the first six months.

Interest

One-half of our base rate.

Application of Total Client Program Funds

	Percent	Amount
Land and Buildings	7	$ 28,193,911
Building Improvements and Additions	14	53,621,560
Leasehold Improvements	0	1,643,800
Machinery and Equipment	60	230,370,339
Working Capital	16	60,456,225
Other	2	6,942,750
Refinancing of LILA & LIFT	1	2,563,009
Total	100	$383,791,594

Current Emphasis

As eligibility criteria indicate, loans made under these programs are mainly to manufacturing and processing operations. These businesses create direct employment, add value to our natural resources and replace imports or earn export dollars. They diversify the

Loan and Guarantee Approvals
(for the year ended March 31, 1986)

Industry Groups	Number of Clients	Total Client Program	BCDC Participation	LILA Participation	Created Employment	Preserved Employment
Food and Beverage	30	$ 12,332,500	$ 3,441,000	$ 2,968,000	215	133
Wood Products	26	235,986,200	101,562,250	2,047,000	890	334
Printing and Allied Industries	26	8,656,104	3,403,000	2,189,700	97	17
Metal Products	46	18,414,921	8,606,400	3,519,700	287	—
Electrical Apparatus	5	1,417,360	826,000	217,000	15	200
Scientific Apparatus	4	66,430,000	5,257,000	143,000	256	—
Building Products	22	5,477,500	1,844,500	1,447,500	105	38
Furniture	5	3,310,000	1,928,400	361,600	68	—
Plastic Products	10	4,945,000	2,049,000	1,198,000	68	14
Clothing and Allied Industries	6	4,857,000	1,657,000	146,700	98	—
Miscellaneous	18	19,402,000	6,480,000	938,000	152	70
Total by Industry Group	**198**	**$381,228,585**	**$137,054,550**	**$15,176,200**	**2,251**	**806**
Refinancing of LILA & LIFT*	27	2,563,009	2,563,009	—	—	—
Total	**225**	**$383,791,594**	**$139,617,559**	**$15,176,200**	**2,251**	**806**

*During the year certain LILA and LIFT loans that fell due for repayment were refinanced by BCDC.

provincial economy and stimulate indirect employment in service industries that support them.

It is generally understood that the service sector creates three out of four new jobs. Consequently, although we still focus on manufacturing and processing industries, we are making an increasing number of loans to companies providing specialized services to these sectors.

An encouraging number of loans are also being made to companies engaged in manufacturing specialty, value-added wood products from British Columbia forest resources. Recent examples include two factories utilizing aspen to produce chopsticks for export to Oriental markets, the first match factory in western Canada and a number of businesses producing contemporary furniture primarily for sale through the extremely popular IKEA stores.

The aviation industry is another area which appears to be expanding. We are encouraging a number of companies in this area and have financed Conair Aviation of Abbotsford who modify existing airframes to the specialized configuration and capabilities required for fire suppression.

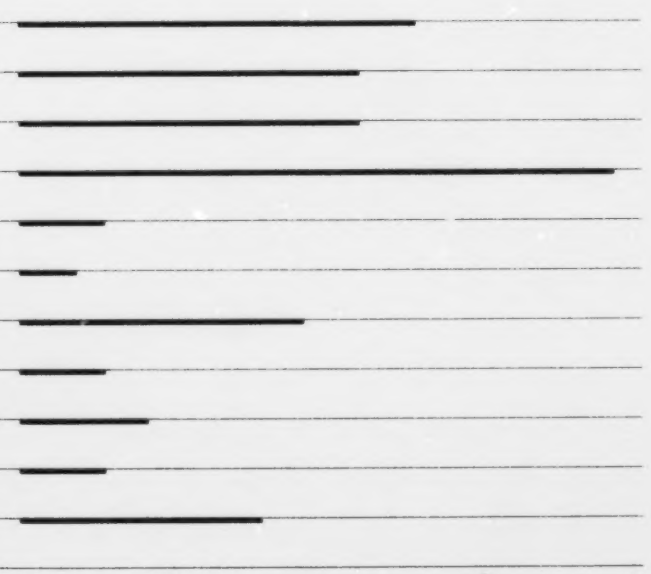
Special Financing Projects

As a lending institution with unique credit and loan administration capabilities, we are often called upon by the provincial government to structure, participate in and administer special financing arrangements for major new enterprises in British Columbia.

A good example is a $20 million financing package which is assisting Moli Energy Limited to build a 60,000 square foot plant in our Maple Meadows Industrial Park at Maple Ridge for manufacture of the world's first rechargeable lithium battery. Scheduled to open in 1986, the plant will initially employ 250, with a $5 million annual payroll.

Encouraging and supporting innovative projects of this kind is key to long term diversification of our economy.

Distribution of Clients by Industry Group



Land and Projects

Our land and development projects are highly visible and offer significant economic benefits. Because of their special nature they would not normally be undertaken by the private sector alone.

Industrial Parks

In the mid-1970's, a shortage of low priced industrial land was identified by the provincial government as a constraint to economic development. As a result, we acquired property throughout the Province in quantities sufficient to ensure that every region will have an adequate supply of land for industrial use.

Our primary objective now is to identify suitable industrial users for these holdings, and we are working with the Ministries of Industry and Small Business Development and International Trade and Investment to attract and accommodate both foreign and Canadian investment.

At our Tilbury Industrial Park in Delta, the first phase of the Canadian Autoparts Toyota Incorporated (CAPTIN) plant is now operational, employing 68 fulltime workers.

One hundred and seventy six out of 249 acres developed in Tilbury have been sold and 1.4 million square feet of construction completed. Over 110 companies are in business, employing upwards of 1,200 people.

Recent additions include Canadian Lucky Ceramics — a manufacturer and exporter of high-quality ceramic products — and Livingston Distribution Centres Ltd. — an international high technology and pharmaceutical distribution organization. Both companies are new to British Columbia and represent substantial employment-creating investment.

Hillmar Industries, manufacturers of storm brake devices and cable reels for the materials handling industry, Woolco and Hertco Kitchen Manufacturers also chose to relocate or expand their operations in Tilbury.

A recent survey confirms that Tilbury is one of the fastest growing industrial parks in the Lower Mainland.

We have maintained this pace because of our

Land Holdings
Acreage

Location	Total	Sold	Available	For Future Development
Ashcroft	17	7	10	—
Chetwynd	210	40	29	141
Delta	407	175	232	—
Fort Nelson	291	—	71	220
Houston	41	10	31	—
Kamloops	570	32	59	479
Kelowna	59	—	59	—
Langley	62	—	62	—
Maple Ridge	104	15	17	72
Merritt	74	52	22	—
Nanaimo	346	93	253	—
Pemberton	76	17	59	—
Port Hardy	390	33	—	357
Prince Rupert	2,551	100	296	2,155
Roberts Bank	4,000	—	—	4,000
Surrey	355	38	317	—
Trail	32	7	25	—
Tumbler Ridge	95	8	21	66
Williams Lake	6	1	5	—
Total	**9,686**	**628**	**1,568**	**7,490**

reasonable prices and the improved access which will be provided by the Annacis Crossing.

At our Campbell Creek Industrial Park in Kamloops, Moly-Cop Ltd. is constructing an $11 million steel grinding ball plant. It is due to commence operations in September 1986, providing employment for 85 people.

In Maple Ridge, in addition to the rechargeable battery factory, a number of marine related operations are being established in our Maple Meadows Industrial Park. Cooper Yachts Ltd. builds 50-72 foot recreational vessels and will ultimately employ 140 people; Irion Manufacturing Ltd. and Seacraft Enterprises Ltd. manufacture marine equipment.

In Prince Rupert, Phase 2 of our industrial park is nearing completion. Fifty-three acres are being developed by a contractor who will take his payment in land. Upon completion of site preparation and servicing, he will acquire 27 acres for construction of a sawmill, leaving 26 acres available for sale to other users.

Duke Point Industrial Park

Developed between 1975 and 1982, Duke Point is a 345-acre industrial park/shipping terminal close to Nanaimo. This project is now being actively marketed as one of the finest marine-oriented sites on the west coast of North America for prefabrication and assembly of specialized equipment required by northern energy and mining enterprises.

Marine Technology Centre

The Marine Technology Centre is a 35,000 square foot, multi-tenant facility at Sidney on Vancouver Island. The Corporation operates the Centre as a base for small companies engaged in commercial, marine-oriented research and manufacturing.

Crown Land

We are the official agent of the provincial government for conversion of Crown land to industrial use. We are adopting an aggressive role in this field and are marketing commercially viable, underutilized Crown land throughout the Province.

By providing a "one-stop-shop" we have simplified the process of making Crown land available to industry, brought additional revenue to the Province, accommodated new projects and attracted additional offshore investment.

Westminster Quay

Westminster Quay is the name given to our major undertaking in New Westminster for redevelopment of its downtown waterfront. It is being implemented in phases by a subsidiary — The First Capital City Development Company Limited — in partnership with the City of New Westminster.

Phases 1 and 2 involved construction of new Provincial Law Courts, a major public plaza, and a new campus for Douglas College.

Completion of the SkyTrain link between Vancouver and New Westminster, coupled with economic stimulation provided by Expo 86, has helped trigger the final phases of

the project — primarily private sector residential and commercial development on waterfront sites.

A 72-unit cooperative housing development is occupied, and another is nearing completion.

A 66-unit condominium project is sold out and a 71-unit condominium project is nearing completion and virtually sold out.

We are finalizing the sale of three sites to private developers who propose to build 350 more condominium units in both high and low rise structures. Construction is expected to begin this summer.

Negotiations are advanced on the sale of a site for construction of a senior citizens high-rise complex which is also expected to be built in late 1986.

Scheduled to open in mid-July 1986 is the 72,000 square foot Westminster Quay Public Market which is being built and operated on a joint venture basis with Laing Properties Ltd.

Laing Properties has agreed to purchase our remaining interest in this project.

Lonsdale Quay

Lonsdale Quay is a 25-acre waterfront site which has been developed adjacent to the North Vancouver SeaBus Terminal.

It contains the Pacific Marine Training Institute, head offices of British Columbia Rail and the Insurance Corporation of British Columbia, two private office buildings, ground level retail stores and a 6-acre public park.

An 81-unit condominium project is now virtually sold out.

The Lonsdale Quay Market and Hotel, officially opened to the public in April 1986, is almost completely leased. The hotel is expected to be fully booked throughout Expo 86. This major complex was developed by Intrawest Properties based upon our initial concept and plans for the site. We retain a financial interest in the project.

Lonsdale Quay has been successful from every perspective. It has provided hundreds of construction and new permanent jobs in North Vancouver. It has added millions of dollars to the municipal tax base and opened up the waterfront to the public, all at no cost to the taxpayer.

We expect our direct involvement in Lonsdale Quay to be concluded by 1987.

Financial Statements

Status of the Corporation

The British Columbia Development Corporation is a Crown corporation of the Province of British Columbia, incorporated pursuant to the *Development Corporation Act*.

Summary of Significant Accounting Policies

Basis of Reporting
The financial statements of the Corporation are presented in accordance with generally accepted accounting principles.

Consolidation
The consolidated financial statements include the accounts of the Corporation and its subsidiary companies:

The First Capital City Development Company Limited

Duke Point Development Limited

Lonsdale Quay Development Company Limited

Westminster Quay Public Market Ltd.

Loans and Guarantees
Loans and guarantees are reviewed regularly by management and provision is made for anticipated losses. Loans are written off against the provision when known to be uncollectible. At March 31, 1986 the balance in the provision was $7,395,462 (1985 — $7,292,550).

Land and Development Projects
Land and development projects are carried at cost less provision for write-down to estimated net realizable value. Cost represents acquisition of land and capitalized development costs. Development costs include direct development expenditures, direct salaries and expenses, interest, property taxes and related overhead expenses.

Depreciation and Amortization
Furniture and equipment are depreciated on the straight line method over five years. Leasehold improvements are amortized over the term of the lease plus one renewal term. Rental properties are depreciated on the straight line method over ten to twenty-five years.

Deferred Charges
Term debt payable in United States dollars is translated to Canadian dollars at the year-end exchange rate. Unrealized gains or losses arising from exchange fluctuations are amortized over the term of the debt.

Contributed Surplus
The Corporation is designated by the Government of the Province of British Columbia as its chief agency dealing in Crown industrial land holdings. Land acquired for development is recorded at estimated market value which is credited to contributed surplus. Land acquired for resale is recorded at value equal to 70% of the net selling price which is credited to contributed surplus. When land is returned to the Province, contributed surplus is reduced by the amount recorded upon acquisition.

Income Recognition
Land and development project sales:
The Corporation recognizes revenue on the sale of land and development projects when all material conditions in the sale agreement have been fulfilled.

Property leases:
Leases containing options to purchase are generally considered to be financing arrangements and are accounted for as sales where there is reasonable expectation that the option will be exercised. Total minimum lease payments receivable, excluding related unearned financing revenue, are reflected on the balance sheet as property leases receivable.

Property rentals:
Income from rental property is recognized when a satisfactory level of occupancy has been achieved, subject to a reasonable maximum lease-up period. Prior to that time, expenses net of rental income are capitalized.

Consolidated Balance Sheet

As at March 31, 1986

	Note	1986	1985
Assets			
INDUSTRIAL DEVELOPMENT PROGRAMS			
Land and development projects	1	$ 78,779,034	$ 80,227,739
Loans to industrial enterprises		65,596,936	69,636,010
Property leases receivable		5,364,530	5,473,643
Rental properties	2	16,726,234	17,037,174
		166,466,734	172,374,566
CASH		3,680,242	8,223,009
OTHER ASSETS	3	2,866,569	2,875,265
SPECIAL PROGRAM DEVELOPMENT FUNDS	4	179,817,577	217,168,487
		$352,831,122	$400,641,327
Liabilities			
ACCOUNTS PAYABLE		$ 13,232,555	$ 9,778,048
TERM DEBT	5	181,670,784	168,234,182
SPECIAL PROGRAM DEVELOPMENT FUNDS	4	179,817,577	217,168,487
		374,720,916	395,180,717
Shareholder's Equity (Deficiency)			
SHARE CAPITAL			
Common shares of $100 par value: authorized 2,000,000; issued 546,183		54,618,300	54,618,300
CONTRIBUTED SURPLUS		10,897,642	10,869,533
DEFICIT		(87,405,736)	(60,027,223)
		(21,889,794)	5,460,610
		$352,831,122	$400,641,327

Approved by the Directors

M Mc Kellaney

Director

Director

Consolidated Statement of Loss and Deficit

For the year ended March 31, 1986

	1986	1985
REVENUE		
Industrial development programs		
Land and development project sales	$ 5,141,051	$13,511,585
Loan interest and guarantee fees	7,837,891	9,468,306
Lease financing	647,535	716,506
Property rentals	1,425,382	1,318,607
Management fees	1,010,232	991,865
Interest and other	336,784	444,076
	16,398,875	26,450,945
EXPENSE		
Cost of sales, land and development projects	4,942,282	12,866,193
Property taxes	2,350,042	2,928,731
Staff remuneration and benefits	2,397,057	2,397,296
Advertising and business development	1,332,665	231,451
General administration	1,425,236	1,284,697
Professional services	646,128	720,922
Depreciation and amortization	445,416	581,423
	13,538,826	21,010,713
less: expenses capitalized to land and development projects	458,613	603,460
	13,080,213	20,407,253
EARNINGS BEFORE THE FOLLOWING	3,318,662	6,043,692
Interest on term debt (net of $106,288; 1985 — $1,085,819 capitalized to land and development projects)	21,038,000	19,648,183
Provision for write-down of land and development projects	7,186,499	22,933,423
Provision for losses on loans	2,472,676	2,556,845
	30,697,175	45,138,451
NET LOSS FOR THE YEAR	27,378,513	39,094,759
DEFICIT, beginning of year	60,027,223	20,932,464
DEFICIT, end of year	$87,405,736	$60,027,223

Consolidated Statement of Changes in Financial Position

For the year ended March 31, 1986

	1986	1985
FINANCIAL RESOURCES DERIVED FROM:		
Earnings before interest on term debt and before provision for write-down of land and development projects and provision for losses on loans	$ 3,318,662	$ 6,043,692
Term debt	13,436,602	15,064,926
Cash resources	4,542,767	—
Other sources	3,802,254	—
	$25,100,285	$21,108,618
FINANCIAL RESOURCES USED FOR:		
Industrial development programs		
Land and development projects	$10,750,456	$11,489,077
Loans to industrial enterprises	17,197,051	25,340,176
	27,947,507	36,829,253
Less recoveries:		
Land sales and other recoveries	5,012,662	13,112,129
Loans and lease payments	18,872,560	27,587,016
	23,885,222	40,699,145
Net expenditures (recoveries)	4,062,285	(3,869,892)
Interest on term debt	21,038,000	19,648,183
Cash resources	—	4,632,422
Other purposes	—	697,905
	$25,100,285	$21,108,618

Notes to the Consolidated Financial Statements
March 31, 1986

1. Land and Development Projects

	1986	1985
Balance, beginning of year	$80,227,739	$103,262,198
Add:		
Acquisition costs	916,477	4,075,600
Direct development costs	9,269,078	5,724,234
Interest, property taxes and indirect overhead capitalized	564,901	1,689,279
Transfer from rental properties	—	1,521,980
Deduct:		
Cost of sales and other recoveries	(5,012,662)	(13,112,129)
Provision for write-down	(7,186,499)	(22,933,423)
Balance, end of year	$78,779,034	$80,227,739

Interest and property taxes of $18,540,365 (1985 — $16,766,282) on certain projects were expensed during the year rather than capitalized because the carrying value of those projects otherwise would have exceeded estimated net realizable value. This amount is in addition to the provision for write-down of land and development projects of $7,186,499 (1985 — $22,933,423) for reduction in estimated realizable value.

2. Rental Properties

Rental properties are carried at cost less accumulated depreciation of $1,427,322 (1985 — $1,116,400).

	1986	1985
Land and buildings	$16,098,109	$16,371,549
Other property	628,125	665,625
	$16,726,234	$17,037,174

3. Other Assets

	1986	1985
Premises and equipment, at cost	$1,532,354	$1,373,888
less: accumulated depreciation and amortization	1,062,617	936,305
	469,737	437,583
Accounts receivable	1,542,194	870,273
Deferred charges	854,638	1,567,409
	$2,866,569	$2,875,265

4. Special Program Development Funds

Under agreements with the Province of British Columbia, the Corporation operates special loan programs on behalf of the Province which provide term loans to industrial enterprises. These funds consist of:

	1986	1985
Assets		
Cash and short term investments	$102,368,076	$145,110,388
Loans receivable, less allowance for losses	73,758,801	70,229,830
Indemnity due from the Province of British Columbia	3,690,700	1,828,269
	$179,817,577	$217,168,487
Liabilities and fund balance		
Notes payable to or guaranteed by the Province of British Columbia	$150,318,063	$179,948,363
Other liabilities	1,046,626	9,924,843
Fund balance	28,452,888	27,295,281
	$179,817,577	$217,168,487

Pursuant to an agreement concluded with the Province of British Columbia in 1986, a loan previously included in corporation loans to industrial enterprises was transferred to Special Program Development Funds. Accordingly, the 1985 comparative figures have been restated by transferring $8,784,276 from corporation loans receivable, $8,500,000 from term debt, and other related accounts receivable and accounts payable balances to Development Funds.

On April 1, 1986 cash and short term investments of $90,911,063 were applied to reduce notes payable to $59,407,000.

5. Term Debt

	1986	1985
Notes guaranteed by the Province of British Columbia:		
Payable in five equal annual instalments commencing March 5, 1988, with interest at 8.95% payable semi-annually	$ 64,300,000	$ 64,300,000
less: unamortized discount based on an effective interest rate of 15.75%	12,100,235	14,298,037
	52,199,765	50,001,963
Payable December 1, 1986, with interest at 16⅞% payable semi-annually (U.S. $12,400,000)	17,515,000	17,180,200
Notes payable to the Province of British Columbia:		
Revolving credit facility, with floating interest rates currently averaging 10.8%	81,000,000	77,500,000
Payable March 27, 1993 with interest at 9.6% payable semi-annually	10,000,000	—
Loans payable to the Province of British Columbia pursuant to the Subsidiary Agreement on Industrial Development:		
Payable progressively as the Corporation sells or leases its Duke Point properties, with interest at 5½%	13,000,000	13,000,000
Payable September 28, 1989, without interest	5,500,000	5,500,000
Payable progressively until October 16, 1990, with interest at 5⅛%, adjusted annually	2,279,000	2,350,000
Other term debt	177,019	2,702,019
	$181,670,784	$168,234,182

6. Contingent Liabilities

The Corporation, as part of its industrial development programs, is contingently liable as guarantor of indebtedness and performance of industrial enterprises for $1,657,250 (1985 — $1,250,000).

7. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties including the Province of British Columbia, its agencies and other Crown corporations. Most of the Corporation's debt is borrowed from or guaranteed by the Province and the Corporation remains dependent on continued funding from this source.

Auditors' Report

To the Honourable Robert H McClelland,
Minister of Industry and Small Business Development,
Province of British Columbia.

We have examined the consolidated balance sheet of British Columbia Development Corporation as at March 31, 1986 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pannell Kerr Forster

Pannell Kerr Forster
Chartered Accountants
Vancouver, Canada
May 15, 1986

Administration and Management

Officers

Michael McGillivray, CA
Acting Chairman
and Chief Executive Officer

J Patrick Curell
Vice-Chairman

John R Redworth, CA
Executive Vice-President

James D McLean
Vice-President
(Land and Projects)

James GT Wong
Vice-President
(Business Finance)

F Michael P Warren, QC
Secretary

Susan D Baerg
Assistant Secretary

Management Group

J Eric Martin
General Manager
Design and Construction

Lockhart G (Mac)
McCallum
General Manager
Industrial Development

P Jeffrey Hocking
Director
Business Finance

Paul M Elkington
Controller

Philip G Lamb
Development Manager
(Management Information
Systems)

Auditors

Pannell Kerr Forster
Chartered Accountants
Vancouver

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British Columbia Development Corporation —
A provincial Crown corporation working for the
people of British Columbia

Partners in Enterprise